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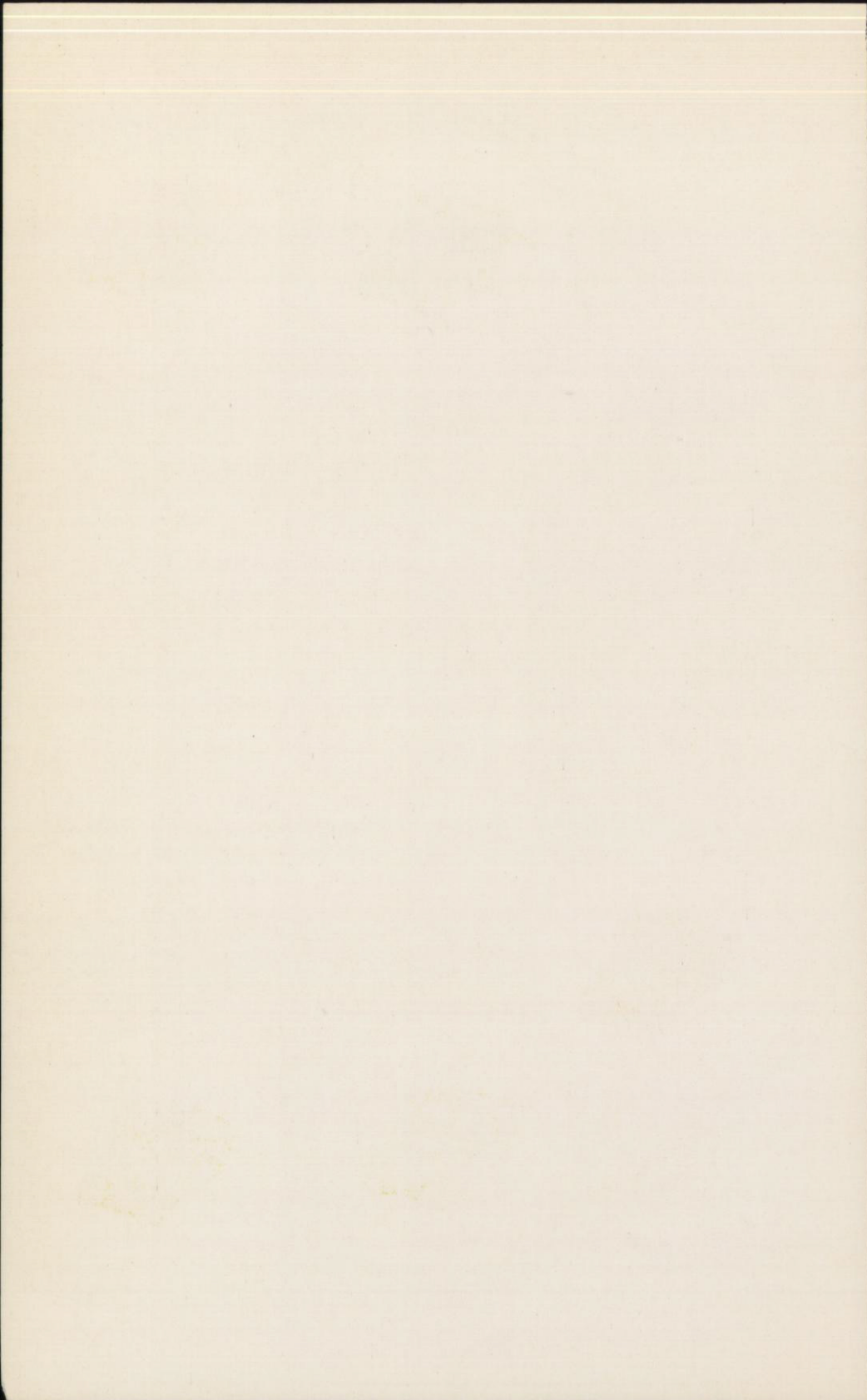
Annual Report 1954

THE CINCINNATI AND SUBURBAN BELL
TELEPHONE COMPANY

BOARD

657.6

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The Cincinnati and Suburban Bell Telephone Company

225 East Fourth Street

Cincinnati 2, Ohio

DIRECTORS

*ARCHIBALD J. ALLEN

WILLIAM G. BARTH

JOHN J. BECKER

RICHARD R. DEUPREE

*CHARLES W. DUPUIS

DAVID M. FORKER, JR.

JOSEPH B. HALL

*BAYARD L. KILGOUR, JR.

GEORGE A. RENTSCHLER

REUBEN B. ROBERTSON, JR.

*RAYMOND A. WEAVER

*Members of the Executive Committee

OFFICIALS

BAYARD L. KILGOUR, JR.
President

RAYMOND A. WEAVER
Vice President

HENRY W. HECKLE
Vice President

HARVEY P. JOHNSTON
Vice President

DON M. ARNETTE
Secretary and Treasurer

WILLIAM G. BARTH
Comptroller

BERZ S. WAGNER
Chief Engineer

RUSSELL T. TEAGUE
General Commercial Manager

CALVERT A. BOYD
General Plant Manager

EUGENE E. DRULEY
General Traffic Manager

CLIFFORD D. COY
General Personnel Manager

JAMES W. CURTIS
General Public Relations Manager

CARL M. JACOBS
General Counsel

The statements and data in this report are for The Cincinnati and Suburban Bell Telephone Company, including a wholly-owned subsidiary — Citizens Telephone Company.

REPORT IN BRIEF

Telephones — At the end of the year we were serving 440,763 telephones — 18,779 more than at the beginning of the year.

Calls — We handled an average of 2,030,000 local calls and 39,000 long distance calls per day — more than in any other year. Long distance calls dialed direct by operators increased from 70% to 77%.

Expansion — Expenditures for new construction amounted to \$9,446,000. Total investment in telephone facilities at end of year was \$111,500,000.

Revenues — Operating revenues were \$37,243,000 — 8.6% over 1953.

Expenses — Operating expenses, excluding taxes, amounted to \$21,363,000 — up 6.1% over last year.

Taxes — The Company's taxes increased 14% to \$9,416,500 and exceeded amount available for dividends by almost \$3,000,000. Customers' excise taxes amounted to \$4,806,000 — \$1,917,000 less than in 1953 due to reductions in federal excise tax rates in April, 1954. Total direct taxes paid by customers (Company's taxes plus excise taxes) averaged \$2.76 per month per telephone.

Earnings — Total earnings increased \$1,337,600, but earnings per share declined from last year's \$5.44 to \$5.16 because there were more shares outstanding in 1954.

Dividends — The regular dividend of \$4.50 was declared, making 1954 the seventy-sixth consecutive year in which dividends have been paid.

Shareholders — The number of shareholders increased from 8,418 at the beginning of the year to 10,552 at the end of the year.

ANNUAL REPORT OF THE DIRECTORS

1954

TO THE SHAREHOLDERS:

The slackening in general business activity which started about the middle of 1953 carried through into the first half of 1954. But the improvement which took place thereafter was so substantial that for the year as a whole we had a larger increase in telephones than in 1953.

The volume of calls set a new record and large capital outlays for new construction were again required to meet the continuing heavy demand for service.

In view of the decline in the demand for service that appeared in the last half of 1953, an aggressive sales program was initiated early in 1954. This program serves two purposes, to provide a more efficient and satisfactory service to our customers and to increase revenues. The results to date have been very gratifying. However, this stimulation of the use of the service together with the increased demand which has resulted from the improvement in the business outlook in recent months may, if continued, result in shortages of central office lines and cable pairs in certain exchanges before relief can be obtained. Consequently, we have recently confined our sales efforts in these exchanges to extension telephones and other supplementary items which do not require the use of additional central office or cable facilities. In the meantime, everything possible is being done to accelerate the installation of more facilities of these types.

Financial Results

Net earnings increased \$1,337,601 but earnings per share declined from \$5.44 last year to \$5.16 due to the larger number of shares outstanding in 1954. The regular dividend of \$4.50 per share was declared, making this the 76th consecutive year in which the Company has paid dividends.

Operating revenues amounted to \$37,243,505, an increase of 8.6% over 1953. The increase resulted partly from the increased volume of business and partly from rate adjustments made in 1953 and 1954.

Operating expenses, excluding taxes, amounted to \$21,363,488, an increase of 6.1% over 1953. This increase represents the added costs of handling the increased volume of business, wage increases and depreciation on a greatly expanded plant.

Operating taxes — our largest item of expense with the exception of wages — were up 14% to \$9,416,500, exceeding the amount available for dividends by \$2,966,355.

In addition to taxes paid by the Company, excise taxes collected from our customers for Federal and state governments amounted to \$4,806,000 which is \$1,917,000 less than the amount collected in 1953. This decrease resulted from reductions in the federal excise tax rates from 15% on local service and toll calls costing less than 25 cents and 25% on toll calls costing 25 cents or more to a flat 10% on both local and toll service, effective April 1, 1954. This is a substantial saving for our customers but the Company feels that even at the reduced rate the tax is discriminatory. No such tax applies to other essential utility services such as gas, electricity and water.

Included in the Company's taxes is a tax on our intrastate gross receipts in Ohio. This tax, which applies to most

public utility services, was first assessed in 1932 as a temporary measure to augment welfare funds during the depth of the depression and was to have expired in 1937. Nevertheless, through successive renewals it has now been in effect for twenty-three consecutive years and in 1954 amounted to \$185,000. This, in our opinion, is another discriminatory tax against telephone users.

Adding the taxes paid by the Company and the excise taxes which the Company is required to add to its telephone bills we find that the total direct taxes paid by our customers in 1954 amounted to \$14,222,500, an average of \$2.76 per telephone per month.

Rates

During the first five months of 1954, the Company's rates in Ohio were those made effective June 1, 1953, pursuant to an order issued by the Public Utilities Commission of Ohio on May 28, 1953. In its order the Commission had approved the Company's application for rate increases designed to produce approximately \$4,637,000 additional annual gross revenue. As a result of a decision by the Supreme Court of Ohio on May 14, 1954 in appeals taken by the City of Cincinnati and the Cincinnati Retail Merchants Association, the case was sent back to the Commission for further proceedings.

The Commission then held further hearings and on June 4, 1954 issued an order directing the Company to file new rate schedules designed to reduce annual gross revenues in the amount of \$1,653,000. The reduced rates were made effective, in compliance with the Commission's order, on June 5, 1954.

Since the Company has for more than 50 years maintained the position that the rates for local service to Ohio

and Kentucky subscribers in the Cincinnati Metropolitan Exchange should be uniform, application was promptly made to the Public Service Commission of Kentucky for authority to reduce the rates to Kentucky subscribers to Metropolitan Exchange local service to conform to the schedules filed with the Ohio Commission. Upon approval by the Kentucky Commission, the reduced rates were made effective in Kentucky on July 11, 1954. The estimated effect of the reduction in the Kentucky rates was to decrease the Company's gross revenues by approximately \$231,000 per year.

These rate reductions were based largely on the expiration of the federal excess profits tax and the completion of certain payments into the Company's pension fund, so that the net income allowed the Company under the June 1954 order remained substantially the same as under the original rate increases granted in 1953.

No opposition was interposed by any party to the filing of the reduced rates in Kentucky, and no appeal was taken from the Ohio Commission's order of June 4, 1954. There is, therefore, no litigation in progress at the present time in either Ohio or Kentucky concerning the rates now in effect.

However, there is pending in the Court of Common Pleas of Hamilton County, Ohio an action which was filed on May 28, 1954 in the names of two customers, on behalf of all customers, seeking to compel the Company to make restitution of some part of the rates collected while the Commission's order of May 28, 1953 was in effect. The plaintiffs in this case make two alternative claims: (1) that the Company is obligated to make restitution of the amount by which the rates collected from June 1, 1953 to June 5, 1954 exceeded the rates in effect prior to

the Commission's order of May 28, 1953, which amount they assert to be at least \$4,637,432; or (2) that the Company is obligated to make restitution of the amount by which the rates collected during the period in question exceeded the rates subsequently made effective pursuant to the Commission's order of June 4, 1954, which amount they assert to be at least \$1,653,334. It is the position of the Company that under the Ohio law the plaintiffs in this action are not entitled to any recovery, and the Company intends to take every step necessary to sustain its position.

Plant and Equipment

Expenditures for new construction amounted to \$9,446,869 compared with \$9,057,658 in 1953. Deducting the original cost of property retired, there was a net increase in plant investment of \$5,210,276, which brought the total investment at the end of 1954 to \$111,500,694.

The average investment per telephone, which was \$209 at the end of World War II, is now \$252. This increase has resulted from the rapid expansion of our plant to meet the heavy demand for service together with the replacement of low cost pre-war plant with plant at the higher present day costs. This is a serious problem and will continue in the future as further additions and replacements are required.

Many industries do not have to expand if that expansion is not profitable. We, as a public utility, have no choice. As the exclusive supplier of telephone service in our territory, we have an obligation to provide service to all who wish it. Thus, to meet the increasing requirements of our customers we have had to keep on enlarging our system even in the face of the high post-war construction costs.

Telephones and Calls

There was an increase of 18,779 telephones in 1954, compared with 15,264 last year. This brought the number in service at the end of the year to 440,763. All telephones have been dial operated since November, 1952.

The volume of calls again set a new record, averaging 2,030,000 local and 39,000 long distance calls per day. The daily average in 1953 was 1,970,000 local and 38,000 long distance calls.

Financing

In December 1953 the Company offered to shareholders 312,812 shares of additional capital stock for subscription at par (\$50) in the ratio of one share for each three shares owned of record on November 27, 1953. Subscriptions were received for 311,480 shares, which were issued as of January 8, 1954.

The entire proceeds of the issue, amounting to \$15,574,000 was applied to the repayment of short term borrowings which had been used to finance new construction.

We plan to continue to finance new construction temporarily through short term bank loans.

The number of shareholders grew from 8,418 at the end of 1953 to 10,552 at the close of 1954.

Service Improvements

The over-all quality of the service continued to improve. This is substantiated by our own technical measurements and by customer opinion surveys conducted for us by outside research people twice a year.

Service was further improved in two suburban exchanges in 1954 by extending the area in which local calls can be made and by offering a service with fewer parties on the line. Land has been purchased and construction will soon

begin on a new exchange in the southwestern portion of Clermont County to provide better grades of service in that growing area. Surveys to determine the need for similar changes in other areas are currently being made.

Long distance calls dialed by the operator directly to their destination increased from 70% in 1953 to 77% in 1954.

During 1954, the Company began the introduction of a new telephone numbering plan in preparation for the day when our customers will be able to dial long distance station-to-station calls without the aid of an operator. This new plan, known as the "2-5" numbering plan, is a nationwide numbering system under which all telephone designations will consist of two letters and five digits. In addition to telephone number changes, some central office names will have to be changed to avoid duplications under a nationwide system. It is expected that all of the required changes will be completed by January, 1956. We regret any inconvenience these changes may cause our customers but they are necessary in order to provide this speedier nation-wide service.

The next and final step in the transition to customer direct distance dialing is the installation of Centralized Automatic Message Accounting machines. This equipment, which was developed by the Bell Telephone Laboratories, records the billing details of each call on perforated tapes from which the customer's toll statement is ultimately prepared, all automatically. This project is also under way and is scheduled for completion in June, 1956. At that time our customers will be able to dial directly to all points within our territory and to a limited number of outside points which are suitably equipped. Thereafter, the service will be extended to other cities as fast as the necessary equipment is installed. Everyone should realize, however, that due to the magnitude of the job of manufacturing and installing the complicated equipment required, it will

be some time before customer direct distance dialing is extended to all parts of the nation.

New items of equipment introduced during the year to make the service more useful and attractive included a "hands free" telephone which is equipped with a microphone and a loudspeaker to permit complete freedom of movement during a conversation; an automatic answering device which answers the phone in the subscriber's absence, makes a recorded announcement that the subscriber is absent and records any message the caller may wish to leave; a telephone with an illuminated dial; and the conventional telephone set in decorator colors.

The Company is fortunate in having access to the products of the Bell Telephone Laboratories and the Western Electric Company. The development by the Laboratories of new equipment that does its job better and the services of Western Electric in supplying the equipment at favorable prices have been of invaluable help to us in making the service better and in keeping its cost down.

Public Relations

The success of our business depends upon public understanding and approval. Thus one of our most important responsibilities is that of keeping the public informed about our policies, plans and progress and how to make the most effective use of the service.

During 1954, the Company continued to bring such matters to the attention of the public through the media of newspaper advertising, news releases, radio and television, motion pictures, exhibits and displays, demonstrations, and central office visitations.

Instructions in the proper use of the telephone are made available to the elementary and high schools, and to our customers.

An innovation which has stimulated considerable interest throughout the organization is a series of "Family Nights." On these occasions employees at a given location invite their families and friends to visit their place of employment and meet the people with whom they work.

Telephone People

Telephone service is a personal kind of service so the skill of telephone men and women and their devotion to their job continue to be the greatest factors in providing good and pleasing service. The Company is proud of its people and the job they are doing. The "spirit of service", which has become traditional in our business, was never better.

At the end of the year our organization consisted of 3,489 men and women—939 having 20 years or more of service. The average length of service was 12 plus years for men and 10 plus years for women.

There were 73 employees in military service at the end of the year. In all, 230 have joined the armed forces since the outbreak in Korea. Of these, 149 have returned to the Company, 2 made the supreme sacrifice and only 6 did not apply for re-employment.

Collective bargaining between the Company and the union representing non-management employees resulted in increases in wage rates, effective October 17, 1954, which kept our rates in line with those paid by other firms in our territory. These increases, together with increases for employees not represented by the union, will increase our labor costs by approximately \$362,000 per year.

In addition to good wages, our employees receive many other benefits, including one of the best pension and benefit plans in existence. This plan has been in effect for over 41 years. In 1954, payments into the pension trust fund amounted to \$1,166,994, and sickness, accident and death

benefits totaled \$341,193. Amounts accrued for employees' service pensions are actuarially determined and are paid to Bankers Trust Company of New York as trustee of the Pension Fund. This fund, which at December 31, 1954 amounted to \$12,613,380, is irrevocably devoted to service pension purposes and is not a part of the assets of the Company.

Total wages and related costs (payments into the pension fund, disability and death benefits, social security taxes, etc.) amounted to \$16,230,863 in 1954, an increase of \$889,359 or 5.8% over 1953.

Employees continued to make extensive use of the voluntary payroll allotment plans for the purchase of life insurance, government savings bonds, hospital care, stock of the Company and for deposit in the employees' credit union. At the end of the year, 2,910 employees, or 85% of the total force, were participating in one or more of these plans. The total of such deductions for 1954 amounted to \$1,501,163 or 10% of the annual payroll.

Every employee has taken the civil defense loyalty oath and has received a special identification card which will be recognized by civil defense authorities for admittance to restricted areas for the restoration of telephone service should the occasion arise.

Accident Prevention

The importance placed on accident prevention over the years has been instrumental in establishing an outstanding safety record for the Company.

For the third consecutive year the Company shared in the National Safety Council's "Award of Honor", awarded collectively to the Bell System Companies for safety improvement. This is the Council's highest award.

Our Butler County employees placed first in the Public Service and Transportation Group in the Hamilton In-

dustrial Campaign for the second consecutive year, and also received from the Industrial Commission of Ohio a "Certificate of Merit" for having a record of no lost time accidents in 1953.

Organization Changes

The Personnel and Public Relations Department was divided into separate departments in March, 1954. Clifford D. Coy was appointed General Personnel Manager and James W. Curtis was appointed General Public Relations Manager, both men reporting to Vice President Harvey P. Johnston.

On January 3, 1955, Director and Vice President Henry W. Heckle, who will reach automatic retirement age in March, 1955, tendered his resignation as Director and it was accepted with regret. He was succeeded on the Board by William G. Barth, Comptroller.

Looking Ahead

Notwithstanding the tremendous expansion and improvement since the end of World War II, much remains to be done.

Present indications are that 1955 will be another year of growth, requiring even greater expenditures for construction than in the highest of the post-war years.

Underlying our plans for the future is the Company's basic policy of providing the best possible telephone service at the lowest cost consistent with fair treatment of our employees and those who invest their savings in the business.

For the Board of Directors,

B. L. KILGOUR, JR.,
President.

February 2, 1955.

CERTIFICATE OF AUDIT

The Cincinnati and Suburban Bell Telephone Company
Cincinnati, Ohio.

We have examined the consolidated balance sheet of The Cincinnati and Suburban Bell Telephone Company and Citizens Telephone Company as of December 31, 1954, and the related consolidated statements of income and retained earnings for the year 1954. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements (pages 15 to 19) present fairly the consolidated position of The Cincinnati and Suburban Bell Telephone Company and Citizens Telephone Company at December 31, 1954, and the consolidated results of their operations for the year 1954, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LYBRAND, ROSS BROS. & MONTGOMERY

Cincinnati, Ohio.
February 2, 1955.

FINANCIAL STATEMENTS

The Consolidated Financial Statements which follow on pages 16 to 19, inclusive, consolidate the accounts of The Cincinnati and Suburban Bell Telephone Company and Citizens Telephone Company. The latter Company operates the Kentucky properties of The Cincinnati and Suburban Bell Telephone Company under a lease which provides that all net earnings of the lessee shall accrue to the lessor as rent.

The accounts of these Companies have been maintained in accordance with Uniform Systems of Accounts prescribed for telephone companies by Federal authorities since January 1, 1913. The presently prescribed accounting requires, with certain exceptions, that the accounts for telephone plant show the original cost of property at the time of its first dedication to the public use, whether by the accounting company or by a predecessor owner. The total shown for "Telephone Plant" in the Balance Sheet represents such original cost, which is substantially the cost of the plant to the Company.

W. G. BARTH,
Comptroller.

THE CINCINNATI AND SUBURBAN BELL TELEPHONE COMPANY
AND CITIZENS TELEPHONE COMPANY

COMPARATIVE CONSOLIDATED BALANCE SHEET

ASSETS

	<u>Dec. 31, 1954</u>	<u>Dec. 31, 1953</u>
PLANT AND OTHER INVESTMENTS:		
TELEPHONE PLANT (see page 15).....	\$111,500,694	\$106,290,418
Land and buildings, rights of way, poles, wire, cable, underground conduit, switchboards, telephones, office furniture, vehicles, tools, etc. At December 31, 1954, this property was classified in the accounts as follows:		
Telephone Plant in Service.....	\$110,995,706	
Telephone Plant Under Construction...	499,293	
Property Held for Future Telephone Use	5,695	
INVESTMENT IN SUBSIDIARY NOT CONSOLIDATED.....	364,977	324,477
Capital stock, at cost.....	\$ 277,477	
Advances	87,500	
OTHER INVESTMENTS	136,700	5,000
TOTAL PLANT AND OTHER INVESTMENTS.....	<u>\$112,002,371</u>	<u>\$106,619,895</u>
CURRENT ASSETS:		
CASH	\$ 2,368,508	\$ 5,573,780
TEMPORARY CASH INVESTMENTS.....	—	1,002,531
United States short-term obligations.		
SPECIAL CASH DEPOSITS AND WORKING FUNDS.....	46,738	42,533
ACCOUNTS RECEIVABLE	3,299,497	3,367,874
Amounts due for service (less reserve for uncollectible accounts), toll settlements, and miscellaneous items.		
MATERIAL AND SUPPLIES.....	1,028,826	1,050,755
Principally for construction and maintenance purposes.		
TOTAL CURRENT ASSETS.....	<u>\$ 6,743,569</u>	<u>\$ 11,037,473</u>
PREPAYMENTS AND DEFERRED CHARGES:		
PREPAYMENTS	\$ 148,691	\$ 148,850
Principally insurance and cost of directories applicable to periods after close of year.		
DEFERRED CHARGES	64,247	36,809
TOTAL PREPAYMENTS AND DEFERRED CHARGES	<u>\$ 212,938</u>	<u>\$ 185,659</u>
TOTAL ASSETS	<u><u>\$118,958,878</u></u>	<u><u>\$117,843,027</u></u>

THE CINCINNATI AND SUBURBAN BELL TELEPHONE COMPANY
AND CITIZENS TELEPHONE COMPANY

COMPARATIVE CONSOLIDATED BALANCE SHEET

LIABILITIES

	Dec. 31, 1954	Dec. 31, 1953
SHAREHOLDERS' EQUITY:		
COMMON STOCK	\$ 62,495,850	\$ 46,921,850
Par value of common stock outstanding. (Authorized 2,000,000 shares; outstanding 1,249,917 shares at December 31, 1954.)		
PREMIUM ON COMMON STOCK.....	72,756	72,756
Amount received in excess of par value.		
CAPITAL STOCK SUBSCRIPTIONS.....	—	3,488,100
RETAINED EARNINGS (see page 19).....	6,953,752	6,155,991
TOTAL SHAREHOLDERS' EQUITY.....	<u>\$ 69,522,358</u>	<u>\$ 56,638,697</u>
CURRENT AND ACCRUED LIABILITIES:		
NOTES PAYABLE TO BANKS.....	\$ 1,200,000	\$ 16,250,000
Temporary financing of plant additions.		
ACCOUNTS PAYABLE	2,895,611	3,125,465
Amounts owing for payrolls, supplies, toll settlements, and miscellaneous items.		
ADVANCE BILLING FOR SERVICE, AND CUSTOMERS' DEPOSITS	1,506,403	1,401,794
TAXES ACCRUED	8,520,047	7,482,811
INTEREST ACCRUED	5,938	84,008
DIVIDEND DECLARED	1,412,406	1,060,434
OTHER CURRENT AND ACCRUED LIABILITIES.....	29,555	30,244
TOTAL CURRENT AND ACCRUED LIABILITIES.....	<u>\$ 15,569,960</u>	<u>\$ 29,434,756</u>
DEFERRED CREDITS	<u>\$ 5,540</u>	<u>\$ 9,760</u>
DEPRECIATION RESERVE	\$ 33,861,020	\$ 31,759,814
Portion of cost of telephone plant which has been charged against operations.		
TOTAL LIABILITIES	<u><u>\$118,958,788</u></u>	<u><u>\$117,843,027</u></u>

**THE CINCINNATI AND SUBURBAN BELL TELEPHONE COMPANY
AND CITIZENS TELEPHONE COMPANY**

COMPARATIVE CONSOLIDATED INCOME STATEMENT

	Year 1954	Year 1953
LOCAL SERVICE REVENUES.....	\$ 29,741,633	\$ 27,383,662
TOLL SERVICE REVENUES.....	6,216,093	5,816,444
MISCELLANEOUS REVENUES	1,369,522	1,167,803
Revenues from directory advertising, rents and miscellaneous sources.		
LESS: UNCOLLECTIBLE REVENUES.....	83,743	59,060
Provision for revenues which may be uncollectible.		
TOTAL OPERATING REVENUES.....	\$ 37,243,505	\$ 34,308,849
MAINTENANCE EXPENSES	\$ 8,390,741	\$ 8,150,772
Cost of inspection, repairs, and rearrangements required to keep the telephone plant in good operating condition.		
DEPRECIATION EXPENSE	3,165,269	3,008,042
Portion of cost of depreciable property charged against current operations. These charges are based on rates designed to spread this cost uniformly over the service life of the property and represented approximately 8.2% of the average investment in depreciable plant in service.		
TRAFFIC EXPENSES	3,121,031	2,966,137
Costs incurred in the handling of messages, principally operators' wages.		
COMMERCIAL EXPENSES	2,568,220	2,191,734
Costs incurred in business relations with customers; public telephone commissions; cost of directories, advertising, etc.		
OPERATING RENTS	111,305	102,782
Rents for the use of buildings, poles, conduits and other facilities.		
GENERAL AND MISCELLANEOUS EXPENSES:		
EXECUTIVE AND LEGAL DEPARTMENTS.....	433,017	470,286
ACCOUNTING AND TREASURY DEPARTMENTS.....	1,420,054	1,296,091
PROVISION FOR EMPLOYEES' SERVICE PENSIONS.....	1,166,994	(a)988,920
EMPLOYEES' SICKNESS, ACCIDENT, DEATH AND OTHER BENEFITS	236,073	237,360
SERVICES RECEIVED UNDER LICENSE CONTRACT.....	358,641	319,647
OTHER GENERAL EXPENSES.....	799,670	757,947
LESS: EXPENSES CHARGED CONSTRUCTION.....	407,527	349,987
TOTAL OPERATING EXPENSES.....	\$ 21,363,488	\$ 20,139,731
NET OPERATING REVENUES (carried forward).....	\$ 15,880,017	\$ 14,169,118

**THE CINCINNATI AND SUBURBAN BELL TELEPHONE COMPANY
AND CITIZENS TELEPHONE COMPANY**

**COMPARATIVE CONSOLIDATED INCOME STATEMENT
(Continued)**

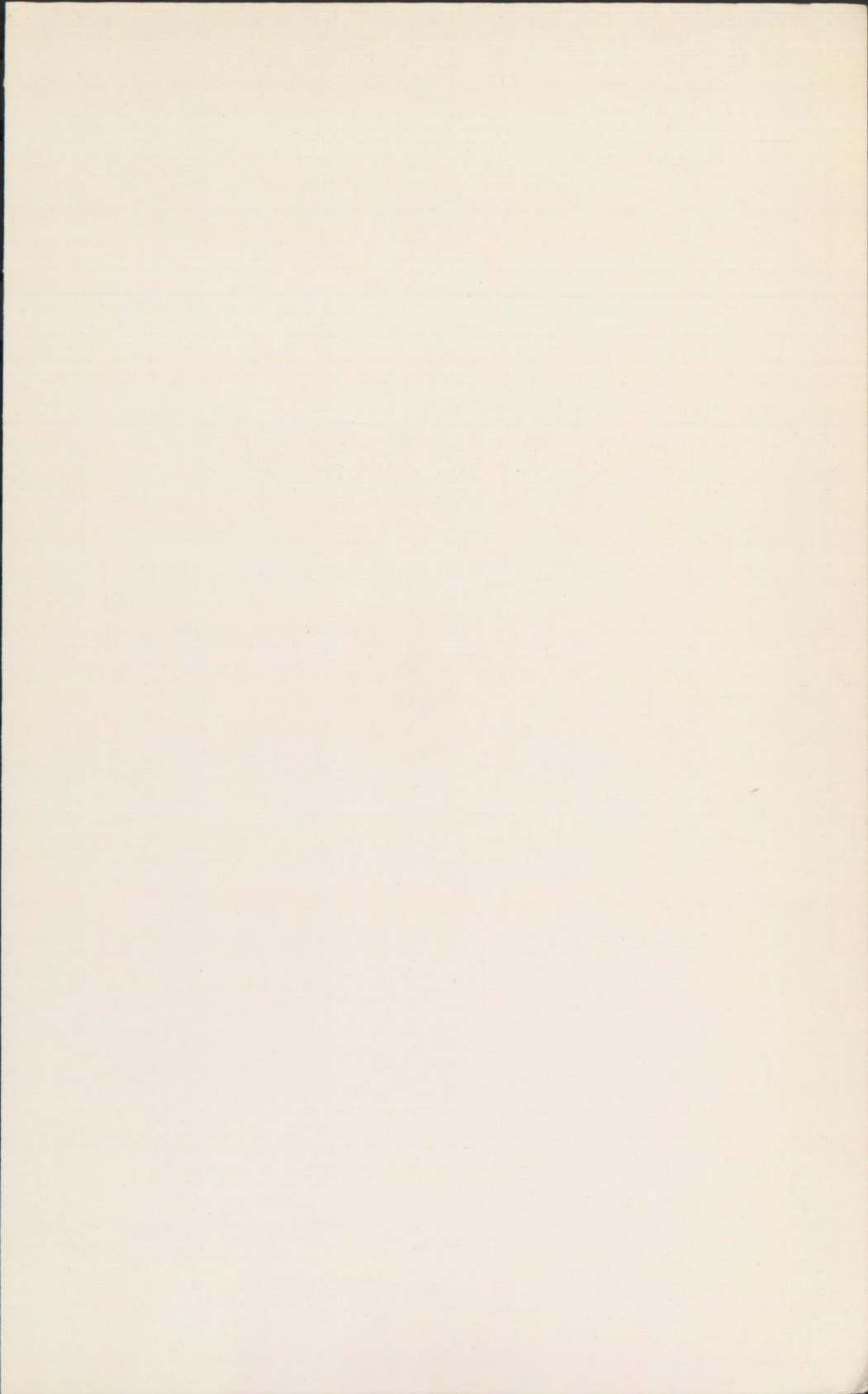
	Year 1954	Year 1953
NET OPERATING REVENUES (brought forward).....	\$ 15,880,017	\$ 14,169,118
OPERATING TAXES:		
FEDERAL TAXES ON INCOME.....	\$ 6,733,000	\$ 5,835,000
OTHER TAXES—state, local and social security.....	2,683,500	2,426,700
TOTAL OPERATING TAXES.....	\$ 9,416,500	\$ 8,261,700
NET OPERATING INCOME.....	\$ 6,463,517	\$ 5,907,418
OTHER INCOME	51,561	65,428
MISCELLANEOUS DEDUCTIONS FROM INCOME	30,093	(a) 354,458
INCOME AVAILABLE FOR FIXED CHARGES	\$ 6,484,985	\$ 5,618,388
INTEREST DEDUCTIONS	34,840	505,844
NET INCOME	\$ 6,450,145	\$ 5,112,544

(a) The total provision for employees' service pensions amounted to \$1,315,452 for 1953, of which \$326,532 was charged to Miscellaneous Deductions from Income in order to comply with the accounting requirements of the Federal Communications Commission then in effect.

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS
YEAR 1954**

BALANCE—DECEMBER 31, 1953.....	\$ 6,155,991
NET INCOME (from Income Statement).....	\$ 6,450,145
MISCELLANEOUS ADDITIONS	131
TOTAL ADDITIONS	\$ 6,450,276
DIVIDENDS DECLARED	\$ 5,624,627
MISCELLANEOUS DEDUCTIONS	27,888
TOTAL DEDUCTIONS	\$ 5,652,515
NET INCREASE	797,761
BALANCE—DECEMBER 31, 1954.....	\$ 6,953,752





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